

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

July 28, 2003

In Reply Refer To:
Gulf South Pipeline Company, LP
Docket No. RP96-320-040

Gulf South Pipeline Company, LP
20 E. Greenway Plaza Suite 900
Houston, TX 77046

Attention: Claire A. Burum
Senior Vice President of Regulatory Affairs

Reference: Tariff Sheets listed in the Appendix

Dear Ms. Burum:

1. On March 29, 2001, Gulf South Pipeline Company, LP (Gulf South), filed the referenced tariff sheets to comply with the Commission's order of March 14, 2001.¹ In the March 14, 2001 Order, the Commission found that four contracts filed by Gulf South for its so-called "option" Parking and Lending Service (PAL) contained negotiated terms and conditions of service that materially deviated from Gulf South's PAL pro forma contract, which terms should be made available to all shippers on a nondiscriminatory basis.² The Commission, therefore, directed Gulf South to file tariff sheets that either revise its current PAL Rate Schedule and pro forma PAL service contract or that establish a new separate rate schedule and pro forma contract, along with a proposed maximum lawful recourse rate, to provide for its proposed PAL option service. The Commission also directed Gulf South to file provisions setting forth procedures for filing negotiated rate contracts, including PAL option contracts.

2. Notice of Gulf South's filing was published in the Federal Register, 66 Fed. Reg. 18,459 (2001). No protests were filed.

¹Gulf South Pipeline Co., LP, 94 FERC ¶ 61,258 (2001) (March 14, 2001 Order), reh'g denied, 95 FERC ¶ 61,196 (2001).

²94 FERC at 61,911.

3. The Commission hereby accepts Gulf South's filing, except as discussed below, to be effective as proposed. The Commission rejects the following revisions as not being in compliance with the directives of the March 14, 2001, Order. First, the March 14, 2001 Order required Gulf South to file proposed tariff revisions for the Commission's review that specifically authorize the provisions of the underlying PAL option negotiated rate contracts that the Commission found were negotiated terms and conditions of service that should be available to all shippers on a nondiscriminatory basis. These specific provisions include: (1) the requirement to execute a NYMEX futures contract, (2) separate parking and payback months, including, inter alia, the inability to park gas in a withdrawal month or to withdraw gas in a parking month, and (3) maximum daily parking and withdrawal entitlements. Rather than comply with that directive, in its compliance filing, Gulf South has proposed revisions to Section 2(d) of the PAL rate schedule, Tariff Sheet No. 604, giving it the discretion to negotiate parking, lending and payback rights that will apply to a specific transaction so as to render the tariff impermissibly vague, with the potential for undue discrimination. Under its proposed language, it could negotiate terms and conditions of service for an individual shipper different than provided under the PAL rate schedule with no obligation to make such negotiated provisions generally available to all shippers on a nondiscriminatory basis as directed by the March 14, 2001 Order. Accordingly, the proposed changes on tariff Sheet No. 604 are rejected. To comply with the March 14, 2001 Order, Gulf South must file revised tariff sheets that propose the foregoing specific types of generally applicable terms and conditions of service for the Commission's review.

4. Second, in the March 14, 2001 Order, the Commission directed that, in order to provide a PAL option service as a separate service in addition to PAL service, it must file recourse rates for such new service. In addition, the Commission observed that, except in the case of a negotiated rate, the pipeline may not charge a fee for an interruptible service, such as PAL service, if such service is not rendered.³ In its compliance filing, although Gulf South failed to propose a new PAL Option Service rate schedule, it nonetheless included a new proposed PAL Option Service pro forma agreement. The proposed pro forma agreement is virtually identical to the existing pro forma PAL service agreement with the exception that the proposed pro forma agreement would provide authority for Gulf South to charge an option fee and share in futures contract profits for PAL Option Service irrespective of whether Gulf South actually provides a PAL Option service. Further, Gulf South failed to include proposed recourse rates for such charges and profit-sharing payments as required by the March 14, 2001 Order. Accordingly, the proposed pro forma PAL Option Service Agreement is rejected as not in compliance with the Commission's order.

³94 FERC ¶ 61,258 at 61,910 note 28.

5. Third, Gulf South's proposed revision to the PAL rate schedule in Tariff Sheet No. 607 is rejected. Gulf South's proposed language provides that the rate for the PAL service may be as provided in its proposed PAL Option Service pro forma agreement, which has been rejected above.

6. Gulf South is, therefore, required to make a further compliance filing within 30 days of the date of this order, in order to fully comply with the directives of the March 14, 2001 Order, as discussed above and in that order.

By the direction of the Commission.

Magalie R. Salas,
Secretary.

APPENDIX

Sixth Revised Volume No. 1

First Revised Sheet No. 604

First Revised Sheet No. 605

First Revised Sheet No. 607

First Revised Sheet No. 1415

First Revised Sheet No. 2901

Original Sheet No. 4603

Original Sheet No. 4604

Original Sheet No. 4605

Sheet Nos. 4606-4699 Reserved